

Message Text

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PAGE 01 LONDON 03128 281751Z

21

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 IO-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 PA-02 PRS-01

USIA-15 FEA-01 INT-05 OES-05 /118 W

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R 281737Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8773

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS LONDON 03128

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING FEBRUARY 28

BEGIN SUMMARY: THE TRENDS OF WEAKENING OUTPUT AND ACCELER-
ATING INFLATION CONTINUE IN THE UK. THERE ARE NUMEROUS
REPORTS OF INCREASING LAYOFFS AND SHORT-TIME WORKING IN UK

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PAGE 02 LONDON 03128 281751Z

INDUSTRY. INDICATIONS OF RISING PRICES ABOUND, AND WAGE

ACCELERATION IS A MAJOR CONCERN. THE MID-APRIL BUDGET IS BEGINNING TO SHAPE UP AS A MAJOR POLICY CONFRONTATION, WITH THE UNIONS PUSHING FOR A REFLATIONARY BUDGET WHILE BUSINESS WANTS A NEUTRAL BUDGET TO RESTRAIN INFLATION. CHANCELLOR HEALEY CONTINUES TO ISSUE POLICY WARNINGS THAT HE IS CONSTRAINED IN HIS BUDGET POLICY DECISIONS BY EXCESSIVE WAGE DEMANDS OUTSIDE THE "SOCIAL CONTRACT," LIMITING WAGE INCREASES TO COST-OF-LIVING INCREASES. OF LATE, BOTH THE PRIME MINISTER AND OTHER MODERATE CABINET MEMBERS HAVE ALSO JOINED THE CHANCELLOR IN ISSUING STRONG WARNINGS ABOUT WAGE ACCELERATION. END SUMMARY

1. ENERGY. THE USE OF ENERGY FELL BY 4.5 PERCENT IN 1974 IN THE UK. NATURAL GAS AND NUCLEAR-POWERED ENERGY SHOWED INCREASES FOR THE YEAR; ALL OTHER ENERGY USES DROPPED. SOME OF THE DECLINE MAY BE ATTRIBUTABLE TO THE MILD WINTER AND SOME IS ALSO THE RESULT OF THE LIMIT ON ENERGY USE (3-DAY WEEK) IN THE FIRST QUARTER OF 1974. COAL CONSUMPTION FELL 12 PERCENT; OIL REFINERY OUTPUT FELL BY 3 PERCENT.

2. INFLATION. THE FINANCIAL TIMES GROCERY PRICE INDEX ROSE BY 4.5 POINTS, 2.8 PERCENT IN FEBRUARY, ITS LARGEST INCREASE SINCE NOVEMBER. THIS VERY SMALL SAMPLE INDEX IS USUALLY AN INDICATION OF RETAIL PRICE MOVEMENTS. THE FEBRUARY INDEX NUMBER WAS 167.36 UP FROM 162.84 IN JANUARY (FEBRUARY 1971 EQUALS 100).

3. FOREIGN EXCHANGE AND GOLD:

	2/21	2/27	CHANGE
FOREIGN EXCHANGE	\$2.4010	\$2.4275	UP \$0.0265
EFFECTIVE DEPRECIATION			
(PERCENT)	21.8	21.8	UNCHANGED
GOLD	\$185.25	\$181.50	DOWN \$3.75

4. FORWARD DISCOUNT ON STERLING:

	2/21	2/27	CHANGE
1 MONTH	1.25	1.30	UP 0.05
3 MONTHS	3.80	3.50	DOWN 0.30
6 MONTHS	6.95	6.63	DOWN 0.32

(ALL FIGURES IN CENTS)

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PAGE 03 LONDON 03128 281751Z

5. EURODOLLAR INTEREST RATES:

	2/21	2/21	CHANGE
1 MONTH	6-11/16	6-5/8	DOWN 1/16
3 MONTHS	7-1/4	7-1/2	UP 1/4
6 MONTHS	7-11/16	7-13/16	UP 1/8

6. LOCAL AUTHORITY DEPOSIT RATES:

	2/21	2/27	CHANGE
1 MONTH	11-1/16	11-1/4	UP 3/16
3 MONTHS	11-7/16	11-1/2	UP 1/16
6 MONTHS	11-9/16	11-1/2	DOWN 1/16

7. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 10-1/2 PERCENT ON FRIDAY, FEBRUARY 28, 1975.

8. ALSO SEE THE FOLLOWING AIRGRAMS: A-174, "DEBT STATISTICS," AND A-182, "PETROLEUM REVENUE TAX."

SPIERS

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Message Attributes

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Margaret P. Grafeld
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05 JUL 2006

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TAGS: ECON, UK
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